DRAFT ANNUAL BUDGET OF

GAMAGARA LOCAL MUNICIPALITY

2017/18 TO 2019/2020

MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

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- In the foyers of all municipal buildings
- All public libraries within the municipality
- At www.treasury.gov.za
- At www.gamagara.co.za

March 2017

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Abbreviations and Acronyms

AMR	Automated Meter Reading
ASGISA	Accelerated and Shared Growth Initiative
BPC	Budget Planning Committee
CBD	Central Business District
CFO	Chief Financial Officer
CM	City Manager
CPI	Consumer Price Index
CRRF	Capital Replacement Reserve Fund
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
DWA	Department of Water Affairs
EE	Employment Equity
EEDSM	Energy Efficiency Demand Side Management
EM	Executive Mayor
FBS	Free basic services
GAMAP	Generally Accepted Municipal Accounting Practice
GDP	Gross domestic product
GDS	Gauteng Growth and Development Strategy
GFS	Government Financial Statistics
GRAP	General Recognised Accounting Practice
HR	Human Resources
HSRC	Human Science Research Council
IDP	Integrated Development Strategy
IT	Information Technology
kℓ	kilolitre
km	kilometre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt
ℓ	litre
LED	Local Economic Development
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act Programme
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
MTEF	Medium-term Expenditure Framework
MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Electricity Regulator South Africa
NGO	Non-Governmental organisations
NKPIs	National Key Performance Indicators
OHS	Occupational Health and Safety
OP	Operational Plan
PBO	Public Benefit Organisations
PHC	Provincial Health Care
PMS	Performance Management System
PPE	Property Plant and Equipment
PPP	Public Private Partnership
PTIS	Public Transport Infrastructure System
RG	Restructuring Grant
RSC	Regional Services Council
SALGA	South African Local Government Association
SAPS	South African Police Service
SDBIP	Service Delivery Budget Implementation Plan
SMME	Small Micro and Medium Enterprises

Part 1 – Annual Budget

1.1 Mayor's Report

Honorable Councillors
Chairpersons of various portfolio committees
The Municipal Manager: Mr TC Itumeleng
Directors of all our Departments in the Municipality
Newly elected members of the Ward Committees
Leaders of Political Parties
Members of Public
Members of Media

Ladies and Gentlemen

Introduction:

This is the fourth term of local government since the new dispensation and political break trough of 1994. The local government sphere was further taken to a new direction of "Developmental Local Government" in 2000, as part of the commitment to ensure efficient and effective service delivery in the local sphere of government which is at the cold face of service delivery. There has been quite drastic changes and amendments that were effected at the local government in order to align with the new concept of the Developmental Local Government.

The 2017 State of the Nation Address by the State President, President Jacob Zuma has highlighted the milestone and achievements guided by the blue print strategic document of the 2030 vision, the National Development Plan that seeks to redirect and place our country on the international platform. The address further elaborated and acknowledge the role played by the former and longest served President of the African National Congress (ANC), President Oliva Regional Tambo. President OR as he was known, was one of the greatest revolutionary and a leader with four site, a visionary who held education to a high esteem and valued human life regardless of race or gender.
In the main the National Development Plan (NDP) remain one of our strategic policy intervention programme that seeks to assist the state to gradually progress towards improving our people's lives and developing a better infrastructure to stimulate economic growth. It is equally for the same reasons that the President has called for a "radical economic transformation" in this era of the "second transition of national democratic revolution". This radicalisation does not come singlehandedly, it is supported by the land policy as emphasised by the president in his state of nation address of 2017. The issue of land becomes key as it has a potential to grow the economy and benefit the majority of our people not only some of the elites and the current beneficiaries.
Ladies and Gentlemen we all know that even with us in this council we are unable to expedite the process of creating ownership of land by the Blacks and Middleclass despite the fact that a policy was developed to address that gab created by the long rule of apartheid and colonialism.
Back to Basics Concept

The back to basic concept was one of the strategic tool for municipality to account on service delivery and how it impact positively on our people. It is an ongoing programme that required everyone's involvement and participation in terms of reporting and reaching of time lines as

expected by COGTA and COGHSTA. However we still do experience some challenges in some instances with regard to reporting and submission of reports by the departments. This will have to be dramatically improved by all senior managers and their subordinates as we believe that this reporting will assist our sector department to evaluate if we are indeed addressing issues affecting our people in line with the national policies.

Land Issue
The land remain one of the strategic resources that must be equally shared by all men and women who works on it as stated in the freedom charter document. As stated above we wish to reiterate that there is a need to expedite the process of land redistribution to benefit the previously disadvantaged communities. Therefore we will have to align with all the national policies that will soon be instituted by the national government in conjunction with the provincial government.

Stakeholders Relations
The growth of our towns and the municipality came with a number of stakeholders that we had to build relationship with in the best interest of our community, in order for them to benefit both in financial terms and skills development and training. Traditionally in the past we have had only the mines and sector department as key stakeholders. However the introduction of the Independent Power Producers (the IPPs) has increased drastically a number of stakeholders involved in our community development programmes and other related benefits for the communities. As council we had also established another relationship with the security cluster of the country when we signed and grant “freedom of the city “ to the South African National Defence Force through their military training centre of Lohatlha. This will be a continuous relationship that will be sustained for generations to come.

Our relationship with other stakeholders like the mines is also still in good shape as we continuously working together to improve our people’s lives in a collaborated efforts. We do however acknowledge that to some extend there were problems and misunderstandings that we were able to address as stakeholders. There were community trusts that we are also participating fully as the authority as required, some of these trust had problems along the way but we remained intact and supportive as stakeholders.

Public Participation
The constitution of the Republic of South Africa, 1996, in terms of Section 152 states that “the municipalities must encourage involvement of communities and community organisations in matters of local government to ensure a democratic and accountable government”. An emphasis was also made in the Municipal Structures Act, 1998 and Municipal Systems Act, 2000. Therefore it is important ensure active participation of all our people in the programmes of government that are developmentally driven. As council we have just completed a comprehensive programme of electing and training the ward committees in all our seven wards. This is one of the mechanism that will positively be used to enhance service delivery in our municipality. We are indeed exited that by the time we reach out to community on the draft budget these ward committees will work tirelessly to ensure maximum participation by our communities in the processes.

Commitments of Municipal Officials
As council we also pride ourselves with the role played by all officials from management to the general worker for assisting our municipality to deliver on our constitutional mandate of serving our community with dignity and pride. However there were some few challenges here and there that created confusion and mistrust between the municipality and its residents or consumers. Some of this problems were as a result of technological failure of our aging infrastructure.

Local Economic Development

The local economic development of one of the key areas in our municipal integrated development plan and we remain committed to this key aspect as we believe that it will contribute positively in stimulating the local economy and growth. As council we are in a process of convening an annual LED Summit that will empower our local businesses or entrepreneurs. We also believe strongly that out of the summit we will be able to addresses some of the challenges confronting us of unemployment and job creation as well as education, skills and training to benefit the poorest of the poor.

Some Programmes and Deliverables that we managed to pull through

There are quite number of programmes that we manged to establish and implement as council and those had a direct impact on our people's lives. They benefitted both on sustainable livelihood and job creation. The following are some of those programmes as achievements:

- A continuous support on all our registered indigents for free basic services such as water and electricity
- Establishment of fire and disaster management centres that also contributed on sustainable job creation
- Establishment of the municipal call centre to address all services related problems raised by consumers timeously, and also created jobs for our local youth.
- Mayoral outreach programme that was addressing issues and service delivery related matters immediately.

Challenges that we were confronted with

As the Gamagara council we had also a number of challenges that contributed to some failures and implementation of our capital projects. As you know we had a long and outstanding case with the mines on the property rates. This was a case that had almost the entire budget of our capital budget for the previous financial years dating back from the 2014-15 to date. We are disappointed that as council we could not win this case against the mines and it has put us on a serious financial challenges that even affected our cash flow.

The following were some of the challenges or problems we were confronted with as council:

- Inconsistent municipal account to consumers
- System failure that contributed on water loses
- Lack of payment to external service provider by the municipality due to system failure e.g. the Eskom account and Sedibeng Water Supply
- The recent electricity problem due to migration from other service provider to the newly appointed ones
- Illegal land grabbing that impacted negatively on our planning or developmental agenda.
- Illegal Tuck-shops regardless of the previous adopted moratorium of council on the building of tuck-shops in our community.

These were some of the challenges that we are confronted with as the Gamagara council but we vowed to work on them to improve the level of services we are rendering to our people.

Conclusion

In order for us as council to deliver on our constitutional mandate without any hinders or aggravations, I call upon all elected politicians regardless of party political affiliation to work together as one team of elected councillors. I want to caution the usual political stands by some councillors of working out of council during the deliberation of matters affecting our

communities, that it says a lot about you as an elected politician other than just being or showing element of political opportunism to discredit the ruling party which is the African National Congress. We need to build a strong rainbow nation as envisioned by the former and late state president, President Mandela, let's all embrace his legacy and live his dreams.
"Together moving South Africa Forward"

Honourable Councillors, ladies and gentlemen, allow me to present this draft budget of 2017/2018 financial year for approval by council of Gamagara Local Municipality in line with section 24(1) of Local Government Municipal Finance Management Act No. 56 of 2003.

OVERVIEW OF THE 2016/2017 DRAFT BUDGET

The Chief Financial Officer will present further on the overview of the draft budget in terms of rents and cents including the proposed tariff increase for the 2017/18 financial year.

Thank you!!!

1.2 Proposed Council Resolutions

On 29 March 2017 the Council of Gamagara Local Municipality met in the Council Chambers of Gamagara Local Municipality to consider the Draft Annual budget of the municipality for the financial year 2017/18. The Council approves and adopts the following draft resolutions:

1. The Council of Gamagara Local Municipality Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

   1.1. The draft annual budget of the municipality for the financial year 2017/18 and the multi-year and single-year capital appropriations as set out in the following tables:
      1.1.1. Budgeted Financial Performance (revenue and expenditure by functional classification)- Table A2;
      1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote)- Table A3;
      1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type)- Table A4; and
      1.1.4. Multi-year and single-year capital appropriations by municipal vote and functional classification and associated funding by source- Table A5.

   1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
      1.2.1. Budgeted Financial Position- Table A6;
      1.2.2. Budgeted Cash Flows- Table A7;
      1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table A8;
      1.2.4. Asset management as contained in Table A9; and
      1.2.5. Basic service delivery measurement as contained in Table A10.

2. The Council of Gamagara Local Municipality Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) as amended approves and adopts with effect from 1 July 2017:
   2.1. the draft tariffs for property rates – as set out in Annexure A,
   2.2. the draft tariffs for electricity – as set out in Annexure A
   2.3. the draft tariffs for the supply of water – as set out in Annexure A
   2.4. the draft tariffs for sanitation services – as set out in Annexure A
   2.5. the draft tariffs for solid waste services – as set out in Annexure A

3. The Council of Gamagara Local Municipality Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) as amended approves and adopts with effect from 1 July 2017 the tariffs for other services, as set out in Annexures A.

4. To give proper effect to the municipality's annual budget, the Council of Gamagara Local Municipality Local Municipality approves:
   4.1. The levying of interests on outstanding debtors in line with the National Credit Act from 01 July 2017
   4.2. That fifty percent be deducted from the purchase of both prepaid water and electricity when a customer has outstanding debtors older than 30 days without any arrangement.

4.3. That both electricity and prepaid water meters be installed by the municipality for clients that defaults and fails to honour their arrangement, and the costs associated with this service be borne by the customer.
4.4. That the Municipal Manager develop an Debt incentive scheme to be presented in the next council for approval
4.5. That council takes note of the budget related policies that are due for review, and which will be workshopped and taken through the public participation process before been presented for approval

1.3 Executive Summary

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The municipality's business and service delivery priorities were reviewed in a strategic session held in February 2017 as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items. Key areas where savings were realized were on consultants, telephone and internet usage, printing, workshops, travel, accommodation, and catering.

The municipality further aims on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Data cleansing is currently under way before migration to the new system to ensure that the right customer is billed correctly at a meter that belongs to him/her and reduce the number of accounts under dispute. Furthermore, the municipality undertakes to introduce various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circulars were used to guide the compilation of the 2017/18 MTREF.

The main challenges experienced during the compilation of the 2017/18 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk water and electricity (due to tariff increases from Sedibeng Water and Eskom), which is placing upward pressure on service tariffs to residents.
- As a results of the mining property rates which favored the mines the potential revenue envelope dwindled living the municipality with no choice but to resort to cost reflective tariffs in order to cover the costs of providing basic services; i.e. in order to break even
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2017/18 MTREF process; and
- Availability of affordable capital/borrowing.

The following budget principles and guidelines directly informed the compilation of the 2017/18 MTREF:

- The 2016/17 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2017/18 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2017/18 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2017/18 MTREF

R' thousand	Adjustment budget 2016/17	Budget year 2017/18	Budget year +1 2018/19	Budget year +2 2019/20
Total Operating Revenue	410 220	366 406	390 300	414 628
Total Operating Expenditure	474 999	467 237	503 774	540 909
Surplus/deficit	(64 779)	(100 831)	113 473	126 281
Total Capital Budget	104 341	206 793	268 715	279 871

Total operating revenue has declined by 10.7 per cent or R43 million for the 2017/18 financial year when compared to the 2016/17 Adjustments Budget. For the two outer years, operational revenue will steadily increase by 6.52 and 6.23 per cent respectively.

Total operating expenditure for the 2017/18 financial year has been appropriated at R467 million and translates into a budgeted deficit of R100 million. When compared to the 2016/17 Adjustments Budget, operational expenditure has declined by 1.63 per cent in the 2017/18 budget and steadily increases by 7.81 and 7.37 per cent for each of the respective outer years of the MTREF. The operating deficit for the two outer years steadily increases to R113 million and R126 million respectively. Please note that although the municipality budgeted for a deficit budget the budget is funded as outlined in A7 Consolidated Budgeted Cash Flow and A8 Consolidated Cashed Backed Reserves/Accumulated Surplus Reconciliation in line with National Treasury's circular 42 Funding a municipal budget. We have made provision to collect outstanding debtors amounting to R160 million to cover the deficit and fund some internally funded projects.

Realistic revenues – (S 18) (Circular 42) – The combination of the terms "revenue" and "to be collected" is supporting the assertion that the full amount of accrued revenue is disclosed in the Financial Performance budget and cash be "realistically collected". The term "realistically anticipated" requires the budget to take into consideration previous years performance, and the likelihood of whether all revenue sources will be realized. If there are expected improvements

planned, these must be supported by changes in policies and/or practices that are proven to deliver the proposed benefits. Such improvements must be estimated conservatively with a view that all promised gains may not result in additional or increased collections immediately.

The term “to be collected” does not just refer to the current year’s revenue. It requires a forecast of monies to be collected relating to revenue from both the current Financial Performance budget and a forecast of monies to be collected from previous years revenues (e.g. collections from debtors in areas based on historical performance). These forecasts should be included in the Cash Flow budget and be tracked separately to aid with preparation of annual and monthly cash flow forecasts. Monthly revenue projections (SDBIP) should be reconciled to the monthly cash flow forecasts to account for the differences in collection and timing assumptions.

The capital budget of R206 million for 2017/18 is 98.1 per cent more when compared to the 2016/17 Adjustment Budget. The increase is caused by the construction of the Kathu 40 MVA substation R45 million that is funded by Integrated National Electrification Programme (INEP), Construction of an 11KVA municipal substation in Kathu R15 million funded by Khumani mine, Electrification of 1 265 erfs in Mapoteng. Anticipated internally generated funds to fund the Capital Budget amounts to R59 million and will fund the following projects; 1. Installation of prepaid water meters R31 million, 2. Electrification of 1 265 stands in Sesheng, R2,5 million 3. Lamp poles replacement R1, 5 million, 4. Dibeng Waste Water Treatment Works 5. Upgrading of Dibeng and Olifantshoek landfill site R2 million, 6. Replacement of waste compactor R650 thousand, 7. The capital programme increases to R268 million in the 2018/19 financial year and 279 million in 2019/20. A substantial portion of the capital budget will be funded from Government Grants over the MTREF with anticipated grants of R79 million, 57 million and 102 million in each of the financial years of the MTREF. Public contributions is the second largest source of funding amounting to R67 million. The balance will be funded from internally generated funds amounting to R59 million, 211 300 and 177 000 in each of the financial years over the MTREF.

1.4 Operating Revenue Framework

For Gamagara Local Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality’s revenue strategy is built around the following key components:

- National Treasury’s guidelines and macroeconomic policy;
- Growth in the municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;

- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA) as amended;
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the municipality.

The following table is a summary of the 2017/18 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source (Preceding Figures)

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome
Revenue By Source								
Property rates	2	23,623	390,936	415,584	281,254	53,486	53,486	53,486
Property rates - penalties & collection charges		–	–	–	–	–	–	–
Service charges - electricity revenue	2	111,303	121,717	123,347	173,705	173,705	173,705	173,705
Service charges - water revenue	2	47,252	61,704	5,086	80,776	80,776	80,776	80,776
Service charges - sanitation revenue	2	37,393	16,900	17,568	24,435	24,435	24,435	24,435
Service charges - refuse revenue	2	13,700	15,834	18,300	27,126	27,126	27,126	27,126
Service charges - other		0	50,438	12,014	–	–	–	–
Rental of facilities and equipment		630	254	349	730	730	730	730
Interest earned - external investments		446	1,120	266	450	450	450	450
Interest earned - outstanding debtors		–	–		–	–	–	–
Dividends received		–	–		–	–	–	–
Fines		775	363	683	607	607	607	607
Licences and permits		1,055	830	538	500	500	500	500
Agency services		2,476	2,473	2,598	2,456	2,456	2,456	2,456
Transfers recognised - operational		28,993	25,913	26,991	28,792	21,893	21,893	21,893
Other revenue	2	5,979	2,623	–	3,260	22,078	22,078	22,078
Gains on disposal of PPE						1,979	1,979	1,979
Total Revenue (excluding capital transfers and contributions)		273,626	691,105	623,325	624,091	410,220	410,220	410,220

Table 3 Summary of revenue classified by main revenue source (MTREF)

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue By Source											
Property rates	2	–	–	–	–	–	–	–	58,083	61,394	64,832
Service charges - electricity revenue	2	–	–	–	–	–	–	–	136,498	144,278	152,358
Service charges - water revenue	2	–	–	–	–	–	–	–	67,311	71,148	75,132
Service charges - sanitation revenue	2	–	–	–	–	–	–	–	35,379	37,396	39,490
Service charges - refuse revenue	2	–	–	–	–	–	–	–	31,760	33,570	35,450
Service charges - other									–	–	–
Rental of facilities and equipment									438	463	489
Interest earned - external investments									–	–	–
Interest earned - outstanding debtors									–	–	–
Dividends received									–	–	–
Fines, penalties and forfeits									325	344	363
Licences and permits									300	317	335
Agency services									2,000	2,114	2,232
Transfers and subsidies									31,823	36,646	41,169
Other revenue	2	–	–	–	–	–	–	–	2,489	2,630	2,778
Gains on disposal of PPE									–		
Total Revenue (excluding capital transfers and contributions)		–	–	–	–	–	–	–	366,406	390,300	414,628

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the municipality. Rates and service charge revenues comprise more than two thirds of the total revenue mix. In the 2016/17 financial year, revenue from rates and services charges totaled R359 million or 88 per cent. This decreases to R329 million, R347 million and R367 million in the respective financial years of the MTREF. A notable trend is the decrease in the total percentage revenue generated from rates and services charges which declined by 8 per cent in 2017/18. The decline is mainly attributed to the reduction of the mining valuation from 20 billion to R137 million by the Valuation Appeal Board. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

Government grants is the second largest revenue source totaling 8.68 per cent or R31 million rand and increases to R36 million and R41 million by 2018/19 and 2019/20 respectively. The third largest sources is ‘other revenue’ amounting to R2, 4 million consisting of various items such as income received from permits and licenses, building plan fees, connection fees, transport fees and advertisement fees. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		–	–	–	–	–	–	30,258	35,071	39,397
Local Government Equitable Share								28,558	33,116	37,442
Finance Management								1,700	1,955	1,955
Municipal Systems Improvement								–	–	–
EPWP Incentive										
Other transfers/grants [insert description]										
Provincial Government:		–	–	–	–	–	–	1,565	1,575	1,772
Sport and Recreation								1,565	1,575	1,772
Other transfers/grants [insert description]										
District Municipality:		–	–	–	–	–	–	–	–	–
[insert description]										
Other grant providers:		–	–	–	–	–	–	–	–	–
[insert description]										
Total Operating Transfers and Grants	5	–	–	–	–	–	–	31,823	36,646	41,169

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank’s inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilized for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. It must further be noted that our tariffs were never fully cost reflective as the anticipated revenue from the Property rates was allowing the municipality to discount the costs of trading services from the consumers. Within this framework the municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality’s budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA).
- 20 per cent rebate will be granted on all state owned residential properties including schools;
- 50% will be granted to government hospitals and 25% to private hospitals
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- 100 per cent rebate will be granted to churches in terms of the rates Policy;
- 100 per cent rebate will be granted to public service infrastructure such as roads and rail ways;
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 20 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:
  - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependents without income;
  - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
  - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
  - The property must be categorized as residential.

- The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2017/18 financial year based on a 6.4 per cent increase from 1 July 2017 is contained below:

Table 5 Comparison of proposed rates to be levied for the 2017/18 financial year

Category	Current Tariff (1 July 2016)	Proposed tariff (from 1 July 2017)
Properties	C	C
Residential	0.009575	0.010188
Industrial	0.016755	0.017861
Business and commercial	0.019149	0.020375
Agricultural	0.000259	0.000276
State Owned	0.009575	0.010188
Education	0.009575	0.010188
Mining	0.019149	0.020375

1.4.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2014.

Better maintenance of infrastructure, new dam construction and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability.

Gamagara local municipality has undertaken a critical assessment of its input costs to determine if the current revenue as per the audited financial statements is enough to cover all input costs of providing the basic level of service. The assessment indicates that the costs of providing water exceeds the revenue by R11, 491, 074, i.e. Billed revenue R51,691,054 minus Total operating expenditure R63, 501,111.

A tariff increase of 29 per cent and 6 per cent from 1 July 2017 for portable water and untreated water is proposed respectively. This is based on input cost assumptions of R63 million including the cost of bulk water (Sedibeng Water) and non-cash items (Depreciation and Debt impairment), and no surplus generated on the water service. In addition 6 kℓ water per 30-day period will again be granted free of charge to only indigents.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Table 6 Proposed Water Tariffs

Raw water consumption 2015/16	815,853	KL
86% usage at block 1 @ 5,27	2,667,258	R
2% usage at block 2 @ average 10,25	93,044	R
13% usage at block 4 @ average 14,26	341,161	R
Estimated Revenue	3,101,463	R
Purified water consumption 2015/16	2,638,510	KL
19% usage @ block 1 @ 8,6	9,232,022	R
14% usage @ block 2 @ 10,27	6,802,543	R
25% usage @ block 3 @ 13,68	12,147,398	R
42% usage @ block 4 @ 16,25	20,407,628	R
Estimated Revenue	48,589,591	R
Total	51,691,054	

2017/18

Estimated Consumption - Raw Water	1,018,346
Estimated Consumption - Purified Water	3,264,102

Purified Water Tariff Calc	Estimated Purified W	Expected Revenue	Required Tariff	Currrent Tariff	% Increase
	3,264,102	59,691,044			
19% usage @ block 1	620,179	7,342,534	11.84	9.17	29%
14% usage @ block 2	456,974	6,485,690	14.19	10.95	30%
25% usage @ block 3	816,026	15,334,129	18.79	14.58	29%
42% usage @ block 4	1,370,923	30,528,692	22.27	17.32	29%
	3,264,102	59,691,044			

Raw Water Tariff Calc	Estimated Raw Water	Expected Revenue	Required Tariff	Currrent Tariff	% Increase
	1,018,346	3,810,067			
86% usage at block 1	875,777	2,737,117	5.97	5.62	6%
2% usage at block 2	20,367	152,403	7.28	6.85	6%
13% usage at block 4	132,385	917,760	16.14	15.20	6%
	1,028,529	**3,807,280**			

TARIFF BASED ON 2017/18 BUDGET

TOTAL COSTS	63,383,000

Revenue @ 6% tariff increase

Purified Water Tariff Calc	Estimated Purified W	Expected Revenue	6% Tariff	Currrent Tariff	% Increase
	3,264,102	-			
19% usage @ block 1	620,179	6,040,547	9.74	9.17	6%
14% usage @ block 2	456,974	5,314,611	11.63	10.95	6%
25% usage @ block 3	816,026	12,640,235	15.49	14.58	6%
42% usage @ block 4	1,370,923	25,224,980	18.40	17.32	6%
	3,264,102	**49,220,373**			

Raw Water Tariff Calc	Estimated Raw Water	Expected Revenue	Required Tariff	Currrent Tariff	% Increase
	1,018,346	3,810,067			
86% usage at block 1	875,777	2,737,117	5.97	5.62	6%
2% usage at block 2	20,367	152,403	7.28	6.85	6%
13% usage at block 4	132,385	917,760	16.14	15.20	6%
	1,028,529	**3,807,280**			

Total	**53,027,653**

A dual system, for the supply of potable water (indoor) and untreated or outdoor water exist in Kathu, as a result we have a twofold approach to charges in the step tariff structure below:

CATEGORY	CURRENT TARIFFS 2016/17	PROPOSED TARIFFS 2017/18

	Rand per kℓ	Rand per kℓ
Portable		
(i) 001 to 00006 kℓ per 30-day period	9.17	11.84
(iii) 007 to 00012kℓ per 30-day period	10.95	14.19
(iv) 013 to 00035kℓ per 30-day period	14.58	18.79
(v) 036 to 99999kℓ per 30-day period	17.32	22.27
RAW/UNTREATED		
(i) 001 to 00200 kℓ per 30-day period	5.62	5.97
(ii) 201 to 00300kℓ per 30-day period	6.85	7.28
(iii) 301 to 00400kℓ per 30-day period	10.92	11.58
(iv) 401 to 99999kℓ per 30-day period	15.20	16.14

The tariff structure of the 2017/18 financial year has not been changed. The tariff structure is designed to charge higher levels of consumption a higher rate, steadily increasing to a rate of R22.27 per kilo liter for consumption in excess of 36kℓ per 30 day period.

The following table shows the impact of the proposed increases in water tariffs on the water charges for a single dwelling-house:

Table 7 Comparison between current water charges and increases (Domestic)

Monthly consumption kℓ	Current amount Payable R	Proposed amount Payable R	Difference (Increase) R	Percentage change
6	55.02	71.04	16.02	29%
20	237.36	306.50	69.14	29%
40	542.66	699.70	157.04	29%
50	715.06	922.40	207.34	29%
80	1235.46	1590.50	355.04	29%
100	1581.86	2035.90	454.04	29%

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1.4.3 Sale of Electricity and Impact of Tariff Increases

NERSA has approved a 2.2 increase to Eskom bulk purchases leading to a 0.31 increase to municipalities bulk purchases increase. A 1.88 per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2017 as per Nersa's guidelines.

Considering the recommended NERSA increase it should be note that the Electricity Service recorded a deficit of R14, 548, 718 based on the audited 2016/17 financial statements. The administration is still busy with an exercise to determine exactly what tariff structure will ensure that the Electricity service is fully cost reflective. The approach is to break down the revenue generated into commercial, residential and industrial in order to first calculate the consumption and then estimate by how much we can increase each tariff to cover costs of the department and still have a margin to cover administration overheads. In the absence of the breakdown. The total amount of consumption have been divided by the average tariff and an estimate made of how much each sector used. The increase in tariff is meant to cover the estimated increase in Electricity for 2017/18. Below is the preliminary work done on the Electricity tariff.

Total Actual usage for 2015/16

	Estimate % Usage	Weight of usage	Average tariff	Estimated Tariff I	Monthly charge	Estimated	Total Rand Value
Residential	0.45	46,185,631	0.9503	43,890,204.88	125.00	972,000.00	44,862,204.88
Commercial	0.33	33,869,463	1.684	57,036,174.91	317.32	822,493.44	57,858,668.35
Industrial	0.2	20,526,947	1.18	24,221,797.45	709.10	450,987.60	24,672,785.05
Agricultural	0.02	2,052,695	1.1213	2,301,686.57	895.74	279,470.88	2,581,157.45
	1	**102,634,735**		**127,449,863.80**		**2,524,951.92**	**129,974,815.72**

Estimated Costs for 2017/18

Cost Line Item	2015/16 Actual	2016/17 Estimated	2016/17 Estimated
Bulk Purchases	105,628,316	108,335,663	111,694,069
Salaries and Wages	7,531,824	8,144,829	8,731,257
Repairs and Maintenance	7,514,776	7,980,692	8,475,495
Capital Charges	10,036,589	10,036,589	10,036,589
Other Costs	267,189	283,754	301,347
	130,978,693	**134,781,528**	**139,238,757**

Estimated Revenue	**Number of Users**	**Estimated KWH Usage**	**Average Usage / customer/annum**	**Average 2016/17 Tariffs**	**Estimated Tariff Revenue**	**Monthly charge**	**Conventional Users**	**Total Monthly**	**Total Revenue**
Residential	9409	47,405,460	5,038	0.9503	45,896,338	125	648	1,032,264	46,928,602
Commercial	427	35,817,459	83,882	1.684	61,450,553	317	216	873,488	62,324,041
Industrial	156	20,015,639	128,305	1.18	24,062,481	709	53	478,949	24,541,430
Agricultural	41	2,106,909	51,388	1.1213	2,406,892	896	26	296,798	2,703,690
	10,033	**105,345,467**			**133,816,264**		**943**	**2,681,499**	**136,497,763**

TARIFF BASED ON 2017/18 BUDGET

TOTAL COSTS 160,307,488

Registered indigents will again be granted 50 kWh per 30-day period free of charge. The following table shows the impact of the proposed increases in electricity tariffs on the electricity charges for domestic customers:

1. Domestic - Customers (Single & Three Phase)				
Tariff name		2016/17 Implemented	2017/18 Proposed	% Increase
Domestic Prepaid Meters - c/kWh Block 1. (0-50kWh)		83.78	85.36	**1.88%**
Block 2. (51-350kWh)		106.28	108.28	
Block 3. (351-600kWh)		151.97	154.83	
Block 4. (>600kWh)		178.74	182.10	
Domestic Conventional Meters – c/kWh Block 1. (0-50kWh)		83.34	84.91	
Block 2. (51-350kWh)		106.50	108.50	
Block 3. (351-600kWh)		145.31	148.04	
Block 4. (>600kWh)		159.31	162.31	
Basic Charge (R/Month)		**125.00**	**127,35**	
Tariff name				
Commercial Prepaid (Single phase) - Energy charge (c/kWh)		176.53	179.85	
Commercial Prepaid (Three phase) - Energy charge (c/kWh)		176.94	180.27	
Commercial Conventional (Single phase) - Energy charge (c/kWh)		159.85	162.86	
- Basic charge (R/month)		256.80	261.63	
Commercial Conventional below 100A (Three phase) - Energy charge (c/kWh		145.00	147.73	
- Basic charge (R/month)		377.84	384.94	
Government schools over 100A (Three phase) - Energy charge (c/kWh		145.00	147.73	

- Basic charge (R/month)		377.84	384.94	
Agricultural Conventional below 100A T/P - Energy charge (c/kWh)		145.00	147.73	
- Basic charge (R/month)		**377.84**	**384.94**	
- Demand charge (R/kVA)		-		
Industrial/ Commercial/ Agricultural over 100A T/P - Energy charge (c/kWh)		118.00	120.22	
- Basic charge (R/month)		**377.84**	**384.94**	
- Demand charge (R/kVA)		**125.00**	**127.35**	

Table 8 Comparison between current electricity charges and increases (Domestic)

Monthly consumption kWh	Current amount Payable R	Proposed amount payable R	Difference (Increase) R	Percentage change
100	95.03	96.82	1.79	1.88%
250	254.45	259.24	4.79	1.88%
500	565.84	576.49	10.65	1.88%
750	985.92	1004.47	18.55	1.88%
1 000	1432.77	1459.72	26.95	1.88%
2 000	3220.17	3280.72	60.55	1.88%

It should further be noted that Gamagara municipality applies a stepped tariff structure/inclining block tariff. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor).

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the municipality.

The approved budget for the Electricity Division can only be utilised for certain committed upgrade projects and to strengthen critical infrastructure (e.g. substations without back-up supply. Owing to the high increases in Eskom's bulk tariffs, it is clearly not possible to fund these necessary upgrades through increases in the municipal electricity tariff – as the resultant tariff increases would be unaffordable for the consumers. As part of the 2017/18 medium-term capital programme, funding has been allocated to electricity infrastructure but these funding levels will require further investigation as part of the next budget cycle in an attempt to source more funding to ensure this risk is mitigated.

1.4.4 Sanitation and Impact of Tariff Increases

A tariff increase of 54 per cent for sanitation from 1 July 2017 is proposed. This is based on the input cost assumptions of 35 percent related to water. It should be noted that electricity costs contributes approximately 20 per cent of waste water treatment input costs. The following factors also contribute to the proposed tariff increase:

- Sanitation charges are calculated according to the percentage water discharged as indicated in the table below;
- Free sanitation (100 per cent of 6 kℓ water) will be applicable to registered indigents; and
- The total revenue generated from rendering this service amounted to R21 568, 738 million for the 2016/17 financial year and total operating expenditure amounted to R31,670, 600 resulting in a deficit of R10, 101, 862
  - The tariff calcualtion for sanitation is based on a 35 per cent indoor(potable) water consumption tariff per kilo litre plus a basic charge, for 2015/16 it was @ R4.60Kl plus a basic charge of R71,36. This tariff is supposed to cover fixed and variable costs for the service. Sanitation however does not have variable/direct costs asscociated with it, the majority of costs are mostly fixed as seen above, the major cost coming from depreciation and remuneration. It is therefore proposed that we charge a fixed cost of R187 per month for all residence. We are still busy investigating a model for businesses especially hotels, malls, etc. as agreed in the last meeting.

	Estimates based on available information	
Total Consumption for 2015/16 of portable water (billed)	2,638,510	KL
Total rand value of approved tariff	12,137,146	Rands
Therefore the fixed charge	9,431,592	Rands
Therefore estimated users	11,014	Users

A break-even point tariff is that which is going to cover the sanitation department of its total costs associated with the service. In the case of Sanitation, it is the tariff that will cover total direct operating expenses as per breakdown above. The costs are mostly fixed. Half year expenses to date are 50% of the total actual costs for 2015/16. This tariff is based on the assumption that there are 11014 users, an average portable consumption of 3 200 000 Kl usage per annum and that fixed costs will more or less maintain its current trend.

Total Costs estimate	35,379,221	Rands	
Basic charge @ R80,79 for estimated 11 014 customers for 12 months	10,677,947	Rands	187
Average portable consumption of water over the 2years	3,264,102	KL	24,701,274
Break- Even Rate	7.57	R/Kl	10,677,947
			35,379,221
Current tariff	4.90	R/Kl	
Percentage Increase	54%		

Estimated Costs for 2017/18

Cost Line Item	2015/16 Actual	2016/17 Estimated	2017/18 Estimated
Bulk Purchases			-
Salaries and Wages	10,299,350	11,165,008	11,968,889
Repairs and Maintenance	555,607	120,154	127,604
Capital Charges	12,874,925	12,874,925	12,874,925
Other Costs (Includes Impairment)	9,228,052	9,800,191	10,407,803
	32,957,934	**33,960,279**	**35,379,221**

TARIFF BASED ON 2017/18 BUDGET

TOTAL COSTS	32,078,000		
Total Costs estimate	32,078,000	Rands	
Basic charge @ R80,79 for estimated 11 014 customers for 12 months	10,677,947	Rands	162
Average portable consumption of water over the 2years	3,264,102	KL	
Break- Even Rate	6.56	R/Kl	
Current tariff	4.90	R/Kl	
Percentage Increase	34%		

Revenue @ 6% tariff increase

Basic Charge	10,677,947
Tariff based revenue	17,005,971
	27,683,918

Table 9 Comparison between current sanitation charges and increases

The following table shows the impact of the proposed increases in sanitation tariffs on the

	R	R
	2015/16	**2016/17**
Sewer	4.90	7.57
Basic charge	76.07	80.71
Availability charge (empty erven with services)	326.88	346.82
Availability charge (erven with a structure)	66.03	70.06
Vacuum tank – 5000 liter/or part thereof: Non Resident	289.26	306.90
Connection charges (new erven)	1 156.35	1 226.89
Disposal of sewer at WWTW/10 000l	1 267.22	1 344.52

Table 10 Comparison between current sanitation charges and increases, single dwelling-houses

Monthly consumption kℓ	Current amount Payable R	Proposed amount payable R	Difference (Increase) R	Percentage change
6	86.36	96.61	16.02	29%
20	110.37	133.7	69.14	29%
40	144.67	186.69	157.04	29%
50	161.82	213.19	207.34	29%
80	213.27	292.67	355.04	29%
100	247.57	345.66	454.04	29%

Based on the above table it is proposed that the sanitation tariffs be applied as follows:

Residential R187

All other users (Business, Government, industrial)

50Kl of water< R213

50kl of water>80kl R293

80kl>100kl R346

100kl> R611

1.4.5 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a deficit of R10,412,372, i.e. Audited Operating revenue amounted to R18,299,939 and Operating expenditure totaled R28,712,311 for the

2015/16 financial year. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. We have therefore developed a tariff model to ensure that this service breaks even. The approach for this tariff calculation is based on absorption/total costing approach which initials summing up the direct and indirect costs that are associated with the function. In the case of refuse removal, we will sum up all expenditure allocated to refuse removal under the class/function. This will include cash and non cash items of expenditure. The total cost for actuals for half year (2016/17) will then be divided by the unit measure (consumption) used for charging refuse removal. This will be compared by the current tariff to determine whether current tariff is covering cost per unit of measure of refuse removal. This information will then be used to make a more informed decision regarding tariff to be used in the 2017/18 budget.

A 73 per cent increase in the waste removal tariff is proposed from 1 July 2017 as detailed in the calculation below:

	Number	Months	Monthly Rate	Total		Break Even Revenue	
Household Refuse:	9,145	12	136	14,888,415	10,859,547	25,747,962	235
General Business:	360	12	445	1,921,277	1,401,371	3,322,648	769
Food Premises:	52	12	1,112	693,788	506,046	1,199,834	1,923
Private Development Household Refuse:	272	12	86	281,651	205,435	487,085	149
Guest Houses & Tuck Shops:	81	12	222	216,144	157,654	373,798	385
Special Refuse:					-	-	
48 Premises x 1 Bin each per removal @ R150.87 per bin p.m.	48	12	151	86,901	63,385	150,286	261
Garden Refuse: 22 p.m.- 261 p.a. @ R209.44 = R 54 663.84 p.a.	22	12	209	55,292	40,330	95,622	362
Building Rubble: 19 p.m. - 228 p.a. @ R 841.12 = R 191 775.36 p.a.	19	12	841	191,775	139,880	331,655	1,455
Special Occasions 7 p.m. - 84 p.a. @ R351.62 = R 29 536.08 p.a.	7	12	352	29,536	21,543	51,080	608
	10,006			**18,364,779**	**13,395,192**	**31,759,971**	

2017/18 Rates Breakdown

	Number	Months	Monthly Rate	Total
Household Refuse:	9,145	12	144	15,766,832
General Business:	360	12	471	2,034,591
Food Premises:	52	12	1,177	734,728
Private Development Household Refuse:	272	12	92	300,521
Guest Houses & Tuck Shops:	81	12	235	228,891
Special Refuse:				
48 Premises x 1 Bin each per removal @ R150.87 per bin p.m.	48	12	161	92,723
Garden Refuse: 22 p.m.- 261 p.a. @ R209.44 = R 54 663.84 p.a.	22	12	223	58,997
Building Rubble: 19 p.m. - 228 p.a. @ R 841.12 = R 191 775.36 p.a.	19	12	897	204,624
Special Occasions 7 p.m. - 84 p.a. @ R351.62 = R 29 536.08 p.a.	7	12	375	31,515
	10,006			**19,453,424**

Estimated Costs for 2017/18

Cost Line Item	2015/16 Actual	2016/17 Estimated	2017/18 Estimated
Salaries and Wages	10,543,293	11,491,478	12,318,865
Repairs and Maintenance	2,956,781	3,140,101	3,334,788
Capital Charges	6,047,314	6,047,314	6,047,314
Other Costs	8,918,791	9,471,756	10,059,005
	28,466,179	**30,150,649**	**31,759,971**

TARIFF BASED ON 2017/18 BUDGET

TOTAL COSTS 33,909,622

Revenue @ 6% tariff increase

	Number	Months	Monthly Rate	Total
Household Refuse:	9,145	12	136	14,888,426
General Business:	360	12	445	1,921,277
Food Premises:	52	12	1,112	693,788
Private Development Household Refuse:	272	12	86	281,651
Guest Houses & Tuck Shops:	81	12	222	216,144
Special Refuse:				
48 Premises x 1 Bin each per removal @ R150.87 per bin p.m.	48	12	151	86,901
Garden Refuse: 22 p.m.- 261 p.a. @ R209.44 = R 54 663.84 p.a.	22	12	209	55,292
Building Rubble: 19 p.m. - 228 p.a. @ R 841.12 = R 191 775.36 p.a.	19	12	841	191,775
Special Occasions 7 p.m. - 84 p.a. @ R351.62 = R 29 536.08 p.a.	7	12	352	29,536
	10,006			**18,364,790**

The following table compares current and proposed amounts payable from 1 July 2017:

Table 11 Comparison between current waste removal fees and increases

	Current Tariffs 2016/17 R per Month	Proposed Tariffs 2017/18 R per month
Garden Refuse (Load)	209	362
Private Development Household Refuse	92	149
Building Rubble (load)	841	1455
Guest houses and Tuckshops	235	385
Household refuse (1Xweekly)	144	235
Business refuse (only food premises 3 x weekly)	1112	1923
General business refuse (2xweekly)	445	769
Special Refuse		
48 Premises x 1 bin each per removal	161	261
Garden Refuse	223	362
Building Rubble	897	1455
Special occasion	375	608

1.5 Operating Expenditure Framework

The municipality's expenditure framework for the 2017/18 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2017/18 budget and MTREF (classified per main type of operating expenditure):

Table 12 Summary of operating expenditure by standard type (Preceding figures)

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17

R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome
Expenditure By Type	-							
Employee related costs	2	83,936	105,186	115,579	143,568	125,935	125,935	125,935
Remuneration of councillors		2,637	2,793	2,932	3,548	4,478	4,478	4,478
Debt impairment	3	9,724	417,471	403,645	66,635	23,000	23,000	23,000
Depreciation & asset impairment	2	54,720	58,417	58,960	61,503	61,503	61,503	61,503
Finance charges		3,984	3,361	3,923	5,044	9,001	9,001	9,001
Bulk purchases	2	82,149	96,891	109,899	133,686	133,686	133,686	133,686
Other materials	8	–	15,493	13,534	20,891	14,592	14,592	14,592
Contracted services		4,901	13,643	14,080	24,972	25,682	25,682	25,682
Transfers and grants		9,379	2,403	2,343	6,901	10,160	10,160	10,160
Other expenditure	4, 5	34,396	34,911	58,677	69,151	66,964	66,964	66,964
Loss on disposal of PPE		525	–	157	–	–	–	–
Total Expenditure		286,353	750,569	783,728	535,900	474,999	474,999	474,999

Table 13 Summary of operating expenditure by type (MTREF figures)

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Expenditure By Type											
Employee related costs	2	–	–	–	–	–	–	–	136,477	152,297	169,818
Remuneration of councillors									4,449	4,747	5,061
Debt impairment	3								13,000	13,741	14,510
Depreciation & asset impairment	2	–	–	–	–	–	–	–	61,503	65,008	68,649
Finance charges									3,055	3,229	3,409
Bulk purchases	2	–	–	–	–	–	–	–	120,105	126,951	134,060
Other materials	8								10,839	11,454	12,099
Contracted services		–	–	–	–	–	–	–	42,304	44,795	47,295
Transfers and subsidies		–	–	–	–	–	–	–	–	–	–
Other expenditure	4, 5	–	–	–	–	–	–	–	75,505	81,550	86,008
Loss on disposal of PPE											
Total Expenditure		–	–	–	–	–	–	–	467,237	503,774	540,909

The budgeted allocation for employee related costs for the 2017/18 financial year totals R136 million, which equals 29 per cent of the total operating expenditure.

SALGA and Trade Unions (IMATU and SAMWU) in implementing The *Salary and Wage Collective Agreement* for the period 1 July 2017 agreed to a 6,6 percent increase, which has been factored in the increase of salaries.

The gazette for 2015 on the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998) which will indicate the actual costs to budget for the remuneration of councilors is still to be released. The most recent proclamation of 5 percent in this regard has been taken into account in compiling the Municipality's final budget.

The provision of debt impairment was determined based on an annual collection rate of 95 per cent and the Debt Write-off Policy of the Municipality. For the 2017/18 financial year this amount equates to R13 million. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R61 million for the 2017/18 financial year and equates to 31 per cent of the total operating expenditure.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 0.65 per cent or (R3 million) of operating expenditure excluding annual redemption for 2016/17.

Bulk purchases amounts to 120 million or 26 per cent of the total operating expenditure and are directly informed by the purchase of Electricity from Eskom and water from Sedibeng Water. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other materials and expenditure comprises of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. Other expenditure comprises of various line items relating to the daily operations of the municipality. In line with the Municipality's repairs and maintenance plan this group of expenditure has been prioritized to ensure sustainability of the Municipality's infrastructure.

Figure 1 Main operational expenditure categories for the 2017/18 financial year

1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2017/18 budget and MTREF provide for extensive growth in the area of asset maintenance. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

Table 14 Repairs and maintenance per asset class

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
EXPENDITURE OTHER ITEMS										
Depreciation	7	–	–	–	–	–	–	–	–	–
Repairs and Maintenance by Asset Class	3	–	–	–	–	–	–	10,839	11,457	12,098
Roads Infrastructure		–	–	–	–	–	–	1,613	1,705	1,800
Storm water Infrastructure		–	–	–	–	–	–	–	–	–
Electrical Infrastructure		–	–	–	–	–	–	1,875	1,982	2,093
Water Supply Infrastructure		–	–	–	–	–	–	3,000	3,171	3,349
Sanitation Infrastructure		–	–	–	–	–	–	400	423	446
Solid Waste Infrastructure		–	–	–	–	–	–	680	719	760
Rail Infrastructure		–	–	–	–	–	–	–	–	–
Coastal Infrastructure		–	–	–	–	–	–	–	–	–
Information and Communication Infrastructure		–	–	–	–	–	–	–	–	–
Infrastructure		–	–	–	–	–	–	*7,568*	*8,000*	*8,448*
Community Facilities		–	–	–	–	–	–	305	323	341
Sport and Recreation Facilities		–	–	–	–	–	–	130	138	145
Community Assets		–	–	–	–	–	–	*436*	*460*	*486*
Heritage Assets		–	–	–	–	–	–	–	–	–
Revenue Generating		–	–	–	–	–	–	–	–	–
Non-revenue Generating		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Operational Buildings		–	–	–	–	–	–	1,100	1,163	1,228
Housing		–	–	–	–	–	–	–	–	–
Other Assets		–	–	–	–	–	–	*1,100*	*1,163*	*1,228*
Biological or Cultivated Assets		–	–	–	–	–	–	–	–	–
Servitudes		–	–	–	–	–	–	–	–	–
Licences and Rights		–	–	–	–	–	–	–	–	–
Intangible Assets		–	–	–	–	–	–	–	–	–
Computer Equipment		–	–	–	–	–	–	–	–	–
Furniture and Office Equipment		–	–	–	–	–	–	104	110	115
Machinery and Equipment		–	–	–	–	–	–	–	–	–
Transport Assets		–	–	–	–	–	–	1,631	1,724	1,821
Libraries		–	–	–	–	–	–	–	–	–
Zoo's, Marine and Non-biological Animals		–	–	–	–	–	–	–	–	–
TOTAL EXPENDITURE OTHER ITEMS		–	–	–	–	–	–	10,839	11,457	12,098
Renewal and upgrading of Existing Assets as % of total capex		*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*34.5%*	*69.9%*	*76.1%*
Renewal and upgrading of Existing Assets as % of deprecn		*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
R&M as a % of PPE		*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*1.0%*	*0.9%*	*0.8%*
Renewal and upgrading and R&M as a % of PPE		*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality’s Indigent Policy. The target is to register 3 000 or more indigent households during the 2017/18 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table A10 (Basic Service Delivery Measurement).

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 15 2017/18 Medium-term capital budget per vote

Vote Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Capital expenditure - Vote											
Multi-year expenditure *to be appropriated*	2										
Vote 1 - Exective & Council		–	–	–	–	–	–	–	–	–	–
Vote 2 - Budget & Treasury Office		–	–	–	–	–	–	–	–	–	–
Vote 3 - Corporate Services		–	–	–	–	–	–	–	–	–	–
Vote 4 - Community Service		–	–	–	–	–	–	–	16,500	18,500	6,000
Vote 5 - Infrastucture Services		–	–	–	–	–	–	–	48,839	250,215	273,871
Vote 6 - Strategic Services		–	–	–	–	–	–	–	–	–	–
Vote 7 - [NAME OF VOTE 7]		–	–	–	–	–	–	–	–	–	–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–	–	–	–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–	–
Capital multi-year expenditure sub-total	7	–	–	–	–	–	–	–	65,339	268,715	279,871
Single-year expenditure *to be appropriated*	2										
Vote 1 - Exective & Council		–	–	–	–	–	–	–	2,155	–	–
Vote 2 - Budget & Treasury Office		–	–	–	–	–	–	–	385	–	–
Vote 3 - Corporate Services		–	–	–	–	–	–	–	4,649	–	–
Vote 4 - Community Service		–	–	–	–	–	–	–	6,577	–	–
Vote 5 - Infrastucture Services		–	–	–	–	–	–	–	119,230	–	–
Vote 6 - Strategic Services		–	–	–	–	–	–	–	8,458	–	–
Vote 7 - [NAME OF VOTE 7]		–	–	–	–	–	–	–	–	–	–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–	–	–	–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–	–
Capital single-year expenditure sub-total		–	–	–	–	–	–	–	141,454	–	–
Total Capital Expenditure - Vote		–	–	–	–	–	–	–	206,793	268,715	279,871

For 2017/18 an amount of R168 million has been appropriated for the development of infrastructure which represents 81 per cent of the total capital budget. Community Services is the second biggest capital appropriation with an allocation of R23 million followed by Strategic Services with an allocation of R8 million. Please refer to table A5 and supporting table SA36 on the detail of the capital budget.

1.7 Annual Budget Tables - Parent Municipality

The attached bound budget document present the ten main budget tables and supporting tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2017/18 budget and MTREF as presented to the Council. Each table is accompanied by *explanatory notes* on the facing page.

Part 2 – Supporting Documentation

2.1. Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of Finance Portfolio Committee.

The primary aims of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1. Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2016) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required IDP and budget time schedule on 31 August 2016. Key dates applicable to the process were:

- **August 2016** – Joint strategic planning session of the Mayoral Committee and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2017/18 MTREF;
- **November 2016** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **3 to 7 January 2017 -** Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2017** – Multi-year budget proposals are submitted to the Mayoral Committee for endorsement;
- **28 January 2017 -** Council considers the 2016/17 Mid-year Review and Adjustments Budget;

- **February 2017** - Recommendations of the Mayoral Committee are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2017/18 MTREF is revised accordingly;
- **25 March 20**17 - Tabling in Council of the draft 2017/18 IDP and 2017/18 MTREF for public consultation;
- **April 2017** – Public consultation;
- **6 May 2017** - Closing date for written comments;
- **6 to 21 May 2017** – finalisation of the 2017/18 IDP and 2017/18 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **23 May 2017** - Tabling of the 2017/18 MTREF before Council for consideration and approval.

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

2.1.2. IDP and Service Delivery and Budget Implementation Plan

This is the first review of the IDP as adopted by Council in May 2016. It started in September 2016 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2017/18 MTREF in August.

The municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2017/18 MTREF, based on the approved 2016/17 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2017/18 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2016/17 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3. Financial Modelling and Key Planning Drivers

As part of the compilation of the 2017/18 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2017/18 MTREF:

- Municipality's growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2016/17 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars has been taken into consideration in the planning and prioritisation process.

2.1.4. Community Consultation

The draft 2017/18 MTREF as tabled before Council on 29 March 2017 must be advert for community consultation and inputs and must be published on the municipality's website, and hard copies must be made available at customer care offices, municipal notice boards and various libraries.

All documents in the appropriate format (electronic and printed) must be provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward councillors and ward committees will facilitate the community consultation process. The applicable dates and venues must be published in all the local newspapers. Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects will be assessed, and where relevant considered as part of the finalisation of the 2017/18 MTREF. Feedback and responses to the submissions received must be prepared just after the approval of the final budget.

2.2. Overview of budget related-policies

The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

2.2.1. Review of credit control and debt collection procedures/policies

The Collection Policy as approved by Council is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the deduction of outstanding debtors from prepaid purchases. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

The 2017/18 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 95 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the municipality's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy.

2.2.2. Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

2.2.3. Budget Adjustment Policy

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

2.2.4. Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in 2006 and reviewed in 2011. An amended policy will be presented in the policy workshop to accommodate the new amendment in the Procurement Preferential Policy Framework Act.

2.2.5. Budget and Virement Policy

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the municipality's system of delegations. The Budget and Virement Policy as approved by Council needs to be reviewed to cater for the requirements of the Municipal Standard Chart of Accounts.

2.2.6. Cash Management and Investment Policy

Owing to this tough economic times the municipality's Cash Management and Investment Policy needs to be reviewed to take cognisance of the current market trends. The aim of the policy is to ensure that the municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

2.2.7. Tariff Policies

The municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The current policy will be reviewed to incorporate various tariff policies into one document.

2.2.8. Financial Modelling and Scenario Planning Policy

The Financial Modelling and Scenario Planning Policy will directly inform the compilation of the 2017/18 MTREF with the emphasis on affordability and long-term sustainability. The policy dictates the approach to longer term financial modelling. The outcomes are then filtered into the budget process. The model and scenario planning outcomes will be taken to Council every November and then translate into recommendations for the budget guidelines that inform the compilation of the next MTREF. One of the salient features of the policy is the emphasis on financial sustainability. Amongst others, the following has been modelled as part of the financial modelling and scenario planning process:

- Approved 2016/17 Adjustments Budget;
- Cash Flow Management Interventions, Initiatives and Strategies (including the cash backing of reserves);
- Economic climate and trends (i.e Inflation, household debt levels, indigent factors, growth, recessionary implications);
- Loan and investment possibilities;
- Performance trends;
- Tariff Increases;
- The ability of the community to pay for services (affordability);
- Policy priorities;

- Improved and sustainable service delivery; and
- Debtor payment levels.

2.2.9. Property Rates Policy

Owing to the recent Valuation Appeal Board outcome there has been a number of court rulings that shaped the valuation process and the valuation methodology that needs to be factored in the Property rates policy. Among others the differentiation of agricultural land from mining and the categorization as such.

2.3. Legislation compliance status

Compliance with the MFMA implementation requirements have not been substantially adhered to through the following activities:

1. In year reporting
   Reporting to National Treasury in electronic format was not fully complied with on a monthly basis as we had four malware attacks on our server which hindered our ability to generate the reports from the system. Section 71 reporting to the council (within 10 working days) has considerably declined as a results of the above.

2. Internship programme
   The municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department.

3. Budget and Treasury Office
   The Budget and Treasury Office has been established in accordance with the MFMA.

4. Audit Committee
   The municipality does not have an Audit Committee as we owe the John Taolo Gaetsewe District Municipality and they have since suspended the shared service.

5. Service Delivery and Implementation Plan
   The detail SDBIP document is at a draft stage and will be finalised after approval of the 2016/17 MTREF in May 2017 directly aligned and informed by the 2017/18 MTREF.

6. Annual Report
   Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. MFMA Training
   Various officials and councilors are enrolled at various institutions to capacitate themselves for the benefit of ensuring compliance to the applicable legislation.

8. Policies
   All budget related policies due for review will be presented in the policy workshop scheduled for early April 2017 and taken through the public participation process were necessary. Thereafter all budget related by-laws will be gazetted after approval by council.

2.4. Municipal manager's quality certificate

I Thusoeng Clement Itumeleng, municipal manager of Gamagara Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name Thusoeng Clement Itumeleng

Municipal manager of Gamagara Local Municipality (NC453)

Signature ____

Date 29 March 2017

A1 SCHEDULE MSCOA VERSION 6.1 2017/18

A1 SCHEDULE VERSION 2.8 2017/18

ANNEXURE A.

SERVICES TARIFFS 2017/18

ANNEXURE B.

SCHEDULE OF SERVICE DELIVERY STANDARDS 2017/18